

TOWNSHIP OF MARENGO
Calhoun County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2006

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Marengo	County Calhoun
Audit Date March 31, 2006	Opinion Date June 26, 2006	Date Accountant Report Submitted to State: July 7, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF MARENGO
Calhoun County, Michigan

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2-3
Basic Financial Statements:	
Government-wide Financial Statements:	
Government-wide Statement of Net Assets	4
Government-wide Statement of Activities	5
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	6
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Assets	7
Statement of Revenues, Expenditures, and Changes in Fund Balances	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	9
Notes to Financial Statements	10-14
Required Supplemental Information:	
Budgetary Comparison Schedule – General Fund	15
Other supporting information:	
General Fund Expenditures by Detailed Account	16-17
Balance Sheet – Permanent Fund	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Permanent Fund	19
Current Tax Collection Fund – Statement of Changes in Assets and Liabilities	20
Current Tax Collection Fund Statement of Cash Receipts and Disbursements	21

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

**MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA**

**512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707**

**TEL (989) 894-1040
FAX (989) 894-5494**

INDEPENDENT AUDITOR'S REPORT

June 26, 2006

To the Township Board
Township of Marengo
Calhoun County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Marengo, Calhoun County, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Marengo's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Marengo, Calhoun County, Michigan as of March 31, 2006, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

**CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants**

TOWNSHIP OF MARENGO
Calhoun County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2006

The Management's Discussion and Analysis report of the Township of Marengo covers the Township's financial performance during the year ended March 31, 2006.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2006, totaled \$839,118.80 for governmental activities. Overall total capital assets remained approximately the same.

Overall revenues were \$292,041.00 from governmental activities. Governmental activities had a loss of 1.4% (\$2,163.22) in revenue sharing.

Taxable value for 2004 was \$53,939,015.00, 2005 was \$56,632,434.00 and 2006 was \$59,460,114.00.

Our Township Millage Tax Rate for 2005 is .8496.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2006

ENTITY-WIDE FINANCIAL STATEMENTS (continued)

All of the activities of the Township are reported as governmental activities. This includes the General Fund and the Cemetery Perpetual Care Fund.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund and the Cemetery Perpetual Care Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

The Fire Department purchased a computer for \$1,357.00 and radios for \$14,280.85.

Road improvements were made.

Our cash position in the governmental activities remains healthy. We do not carry any debts.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for the Township's governmental services. The most significant was fire protection, which incurred expenses of \$87,856.51.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township paid \$17,845.77 on new capital assets.

No long-term debt activity at this time.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income. We continue to grow in taxable values with little demand for infrastructure, except roads, and fire department maintenance.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk or Treasurer at 13995 – 23 Mile Road, Albion, Michigan 49224, or at 269-781-8422 or fax 269-781-9862.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2006

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	565 006 43
Taxes receivable	<u>3 717 09</u>
Total Current Assets	<u>568 723 52</u>
NON-CURRENT ASSETS:	
Capital Assets	493 287 11
Less: Accumulated Depreciation	<u>(222 891 83)</u>
Total Non-current Assets	<u>270 395 28</u>
TOTAL ASSETS	<u>839 118 80</u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>-</u>
Total Current Liabilities	<u>-</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	270 395 28
Reserved for cemetery	9 781 96
Unrestricted	<u>558 941 56</u>
Total Net Assets	<u>839 118 80</u>
TOTAL LIABILITIES AND NET ASSETS	<u>839 118 80</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2006

		Program Revenue		Governmental Activities
	Expenses	Charges for Services	Operating Grants - Contributions	Net (Expense) Revenue and Changes in Net Assets
FUNCTIONS/PROGRAMS				
Governmental Activities:				
Legislative	9 940 46	-	-	(9 940 46)
General government	91 252 75	-	-	(91 252 75)
Public safety	137 218 43	50 399 43	13 376 00	(73 443 00)
Public works	25 658 86	2 280 00	-	(23 378 86)
Total Governmental Activities	264 070 50	52 679 43	13 376 00	(198 015 07)
General Revenues:				
Property taxes				48 049 01
State revenue sharing				149 218 18
Interest				16 920 74
Miscellaneous				11 797 64
Total General Revenues				225 985 57
Change in net assets				27 970 50
Net assets, beginning of year				811 148 30
Net Assets, End of Year				839 118 80

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2006

	<u>General</u>	<u>Other Funds</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	555 224 47	9 781 96	565 006 43
Taxes receivable	<u>3 717 09</u>	<u>-</u>	<u>3 717 09</u>
Total Assets	<u>558 941 56</u>	<u>9 781 96</u>	<u>568 723 52</u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:			
Fund balances:			
Reserved for cemetery	-	9 781 96	9 781 96
Unreserved:			
Undesignated	<u>558 941 56</u>	<u>-</u>	<u>558 941 56</u>
Total fund equity	<u>558 941 56</u>	<u>9 781 96</u>	<u>568 723 52</u>
Total Liabilities and Fund Equity	<u>558 941 56</u>	<u>9 781 96</u>	<u>568 723 52</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2006

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	568 723 52
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	493 287 11
Accumulated depreciation	<u>(222 891 83)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>839 118 80</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2006

	<u>General</u>	<u>Other Funds</u>	<u>Total</u>
Revenues:			
Property taxes	48 049 01	-	48 049 01
Federal grant	13 376 00	-	13 376 00
Licenses and permits	27 399 43	-	27 399 43
State revenue sharing	149 218 18	-	149 218 18
Charges for services – fire protection	23 000 00	-	23 000 00
Interest	16 642 67	278 07	16 920 74
Special assessments	2 280 00	-	2 280 00
Miscellaneous	11 797 64	-	11 797 64
Total revenues	<u>291 762 93</u>	<u>278 07</u>	<u>292 041 00</u>
Expenditures:			
Legislative:			
Township Board	9 940 46	-	9 940 46
General government:			
Supervisor	9 999 96	-	9 999 96
Elections	2 041 28	-	2 041 28
Assessor	15 617 96	-	15 617 96
Audit and attorney	21 977 20	-	21 977 20
Clerk	17 255 76	-	17 255 76
Board of Review	612 50	-	612 50
Treasurer	14 008 09	-	14 008 09
Cemetery	8 004 00	-	8 004 00
Public safety:			
Fire protection	87 856 51	-	87 856 51
Protective inspection	14 557 00	-	14 557 00
Planning and zoning	6 802 87	-	6 802 87
Public works:			
Drains	858 00	-	858 00
Highways and streets	21 361 00	-	21 361 00
Street lights	3 439 86	-	3 439 86
Capital outlay	17 845 77	-	17 845 77
Total expenditures	<u>252 178 22</u>	<u>-</u>	<u>252 178 22</u>
Excess of revenues over expenditures	39 584 71	278 07	39 862 78
Fund balances, April 1	<u>519 356 85</u>	<u>9 503 89</u>	<u>528 860 74</u>
Fund Balances, March 31	<u>558 941 56</u>	<u>9 781 96</u>	<u>568 723 52</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2006

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 39 862 78

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(29 738 05)
Capital Outlay	<u>17 845 77</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES 27 970 50

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Marengo, Calhoun County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Marengo. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Permanent Fund

The Cemetery Perpetual Care Fund is used to account for amounts received for maintenance of the cemetery.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2005 tax roll millage rate was .8496 mills, and the taxable value was \$56,632,434.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	25 years
Furniture and equipment	3-15 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 2 – Budgets and Budgetary Accounting (continued)

9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>565 006 43</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	176 222 98
Uninsured and Uncollateralized	<u>406 325 88</u>
Total Deposits	<u>582 548 86</u>

The Township of Marengo did not have any investments as of March 31, 2006.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/05	Additions	Deletions	Balance 3/31/06
<u>Governmental Activities:</u>				
Land	21 500 00	-	-	21 500 00
Buildings	50 000 00	-	-	50 000 00
Equipment	403 941 34	17 845 77	-	421 787 11
Total	475 441 34	17 845 77	-	493 287 11
Accumulated Depreciation	(193 153 78)	(29 738 05)	-	(222 891 83)
Net Capital Assets	282 287 56	(11 892 28)	-	270 395 28

Note 5 – Pension Plan

The Township does not have a pension plan.

Note 6 – Deferred Compensation Plan

The Township offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

As of March 31, 2006, the Township had building permit revenues of \$14,445.30 and building permit expenses of \$14,557.00.

Note 9 – Budget Variances

During the fiscal year ended March 31, 2006, Township expenditures exceeded the budgeted amounts in the activities as follows:

	Total Budget	Total Expenditures	Excess Expenditures
<u>General Fund Activity:</u>			
Assessor	15 000 00	15 617 96	617 96
Audit and attorney	12 500 00	21 977 20	9 477 20
Cemetery	8 000 00	8 004 00	4 00
Street lights	3 100 00	3 439 86	339 86

TOWNSHIP OF MARENGO
Calhoun County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	50 329 11	50 329 11	48 049 01	(2 280 10)
Federal grant	13 369 00	13 369 00	13 376 00	7 00
Licenses and permits	22 000 00	22 000 00	27 399 43	5 399 43
State revenue sharing	148 500 00	148 500 00	149 218 18	718 18
Charges for services:				
Fire protection	23 000 00	23 000 00	23 000 00	-
Interest	9 000 00	9 000 00	16 642 67	7 642 67
Special assessments	2 280 00	2 280 00	2 280 00	-
Miscellaneous	5 025 00	5 025 00	11 797 64	6 772 64
Total revenues	<u>273 503 11</u>	<u>273 503 11</u>	<u>291 762 93</u>	<u>18 259 82</u>
Expenditures:				
Legislative:				
Township Board	6 484 30	10 034 30	9 940 46	(93 84)
General government:				
Supervisor	10 500 00	10 000 00	9 999 96	(04)
Elections	2 500 00	2 500 00	2 041 28	(458 72)
Assessor	15 000 00	15 000 00	15 617 96	617 96
Audit and attorney	5 500 00	12 500 00	21 977 20	9 477 20
Clerk	18 580 00	19 530 00	17 255 76	(2 274 24)
Board of Review	950 00	950 00	612 50	(337 50)
Treasurer	16 120 00	14 870 00	14 008 09	(861 91)
Cemetery	8 000 00	8 000 00	8 004 00	4 00
Public safety:				
Fire protection	99 335 00	93 195 00	87 856 51	(5 338 49)
Protective inspection	16 000 00	15 000 00	14 557 00	(443 00)
Planning and zoning	5 600 00	7 060 00	6 802 87	(257 13)
Public works:				
Drains	2 000 00	1 000 00	858 00	(142 00)
Highways and streets	25 000 00	21 400 00	21 361 00	(39 00)
Street lights	3 100 00	3 100 00	3 439 86	339 86
Capital outlay	10 000 00	19 280 85	17 845 77	(1 435 08)
Total expenditures	<u>244 669 30</u>	<u>253 420 15</u>	<u>252 178 22</u>	<u>(1 241 93)</u>
Excess (deficiency) of revenues over expenditures	28 833 81	20 082 96	39 584 71	19 501 75
Fund balance, April 1	-	-	519 356 85	519 356 85
Fund Balance, March 31	<u>28 833 87</u>	<u>20 082 96</u>	<u>558 941 56</u>	<u>538 858 60</u>

TOWNSHIP OF MARENGO
Calhoun County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2006

Township Board:	
Salaries	4 370 00
Memberships and dues	1 142 59
Supplies	608 52
Payroll taxes	3 585 15
Miscellaneous	234 20
	<u>9 940 46</u>
Supervisor:	
Salary	<u>9 999 96</u>
Elections:	
Wages	1 000 00
Supplies	1 041 28
	<u>2 041 28</u>
Assessor:	
Contracted services	14 499 96
Miscellaneous	1 118 00
	<u>15 617 96</u>
Audit and attorney:	
Professional services	<u>21 977 20</u>
Clerk:	
Salary	11 050 00
Salary – Deputy Clerk	2 480 00
Supplies	1 475 37
Telephone	1 252 21
Printing and publishing	998 18
	<u>17 255 76</u>
Board of Review:	
Per diem	<u>612 50</u>
Treasurer:	
Salary	10 000 00
Salary – Deputy Treasurer	1 620 00
Supplies	923 24
Tax roll preparation	1 464 85
	<u>14 008 09</u>
Cemetery	<u>8 004 00</u>
Fire protection:	
Salaries and wages	35 023 75
Training	8 702 00
Supplies	422 39
Gas and oil	2 389 04
Clothing	5 303 06
Insurance	26 783 12
Utilities	3 545 05
Repairs and maintenance	4 748 15
Miscellaneous	939 95
	<u>87 856 51</u>

TOWNSHIP OF MARENGO
Calhoun County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2006

Protective inspection:	
Wages	<u>14 557 00</u>
Planning and zoning:	
Zoning Administrator	1 940 00
Planning Commission	4 707 87
Miscellaneous	<u>155 00</u>
	<u>6 802 87</u>
Drains	<u>858 00</u>
Highways and streets	<u>21 361 00</u>
Street lighting:	
Utilities	<u>3 439 86</u>
Capital outlay	<u>17 845 77</u>
Total Expenditures	<u>242 178 26</u>

TOWNSHIP OF MARENGO
Calhoun County, Michigan

BALANCE SHEET – PERMANENT FUND
March 31, 2006

Cemetery Perpetual
Care

Assets

Cash in bank

9 781 96

Total Assets

9 781 96

Liabilities and Fund Balances

Liabilities

-

Fund balances:
Reserved

9 781 96

Total Liabilities and Fund Balances

9 781 96

TOWNSHIP OF MARENGO
Calhoun County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – PERMANENT FUND
Year ended March 31, 2006

	Cemetery Perpetual Care
Revenues:	
Interest	<u>278 07</u>
Total revenues	<u>278 07</u>
Expenditures – Cemetery	<u>-</u>
Excess of revenues over expenditures	278 07
Fund balance, April 1	<u>9 503 89</u>
Fund Balance, March 31	<u><u>9 781 96</u></u>

TOWNSHIP OF MARENGO
Calhoun County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2006

	<u>Balance</u> <u>4/1/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/06</u>
<u>Assets</u>				
Cash in Bank	<u>4 261 43</u>	<u>1 772 884 77</u>	<u>1 775 892 82</u>	<u>1 253 38</u>
<u>Liabilities</u>				
Due to other funds	-	49 814 20	49 814 20	-
Due to other units	<u>4 261 43</u>	<u>1 723 070 57</u>	<u>1 726 078 62</u>	<u>1 253 38</u>
Total Liabilities	<u>4 261 43</u>	<u>1 772 884 77</u>	<u>1 775 892 82</u>	<u>1 253 38</u>

TOWNSHIP OF MARENGO
Calhoun County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year ended March 31, 2006

Cash on hand and in bank – beginning of year	<u>4 261 43</u>
Cash receipts:	
Property taxes	1 772 476 77
Trailer park fees	<u>408 00</u>
Total cash receipts	<u>1 772 884 77</u>
Total beginning balance and cash receipts	<u>1 777 146 20</u>
Cash disbursements:	
Calhoun County	664 954 88
Calhoun County Intermediate School District	322 652 05
Marshall Public Schools	182 821 67
Albion Public Schools	11 345 22
Mar-Lee Public Schools	210 522 94
Kellogg Community College	192 922 52
Marshall District Library	110 331 23
Marshall Fire and Ambulance	25 976 24
Township General Fund	49 814 20
Refunds	<u>4 551 87</u>
Total cash disbursements	<u>1 775 892 82</u>
Cash on Hand and in Bank – End of Year	<u>1 253 38</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

June 26, 2006

To the Township Board
Township of Marengo
Calhoun County, Michigan

We have audited the financial statements of the Township of Marengo for the year ended March 31, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Marengo in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Marengo
Calhoun County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2006.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants